GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:198
ANSWERED ON:11.12.2008
ISSUE OF BONDS TO FERTILIZER MANUFACTURING COMPANIES
Veerendra Kumar Shri M.P.

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Government is compensating the fertilizer manufacturing companies by issue of bonds of long maturity period of 16 to 18 years bearing a coupon rate of about 8 percent and that these bonds are traded at a heavy discount in the market;

(b) if so,whether this is one of the major reasons for the low production of fertilizers in the country which in turn leads to shortage of fertilizers and non-availability of the same to farmers at the same time of sowing of crops;

(c) if so, the reaction of the Government thereto, and

(d) the steps being taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) to (d) A statement is laid down on the Table of the House.

Statement referred to in reply to party (a) to (d) of Lok Sabha Starred Question No.198 for answer on 11-12-2008 regarding issue of bonds to fertilizer manufacturing companies.

(a) In 2007-08,fertilizer bonds worth Rs 7500 crore was issued to fertilizer companies in two tranche of Rs. 3890 crore and Rs. 3610 crore each. The coupon rate of the bonds was 8.3 % with 16 year tenure (Tranche-I) and 7.95% with 18 years tenure (Tranche-II) The trading of bonds in the market depends upon the prevailing market conditions and the yields expected by the market on various Government securities. The fertilizer companies have reportedly sold these bonds at various point of time for the last one year with discount ranging from 0% to 13%.

In the current year,it is proposed to release Rs.14000 crore of bonds in lieu of cash fertilizer subsidy to the fertilizer companies.

(b), (c) and (d): The production of urea and complex fertilizer in the current year is expected to be higher as compared to 2007-08 in the country.The production of DAP has fallen in the current year as compared to 2007-08 due to shortage of availability of raw materials/inputs in the international market, as more than 90% of the Indigenous production of phosphatic fertilizer is dependent upon imported rock phosphate and phosphoric acid. As evident from above,the issue of bonds in lieu of cash fertilizer subsidy is not the major reason for low production of fertilizer in the country.